

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7216

BILL NUMBER: SB 459

NOTE PREPARED: Feb 22, 2013

BILL AMENDED: Feb 21, 2013

SUBJECT: Local Government Reorganization.

FIRST AUTHOR: Sen. Miller Pete

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill specifies that the following apply in the case of a reorganization that includes a township and another political subdivision:

- (1) The rate-controlled property taxes imposed by the reorganized political subdivision for a township cumulative firefighting building and equipment fund remain outside of the property tax levy limits.
- (2) If the township borrowed money from a township fund to pay the operating expenses of the township fire department or a volunteer fire department before the reorganization, the reorganized political subdivision may repay the loan in installments during the following five years.
- (3) The reorganized political subdivision continues to be responsible after the reorganization for providing township services in all areas of the township, including within the territory of a municipality in the township that does not participate in the reorganization.
- (4) If all or part of a municipality in the township is not participating in the reorganization, then 10 township taxpayers who reside within territory that is not participating in the reorganization may file a petition remonstrating against the reorganized political subdivision's township assistance levy.

It specifies the new maximum property tax levy for such a reorganized political subdivision's firefighting fund that applies after a reorganization, and provides that the reorganized political subdivision may not borrow money under the statutes in current law that authorize certain township emergency loans.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) *Department of Local Government Finance (DLGF)*: The DLGF would adjust the maximum permissible property tax levies and property tax rates of units to reflect transfers of duties and responsibilities and to review balances in township funds and determine if an excess balance exists. The bill's requirements are within the DLGF's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Summary of NET Local Impact: (Revised) The bill will have indeterminate fiscal impact in the case of a local government reorganization for a township and another political subdivision. The bill may allow for more reorganizations with townships by making provisions for fire services funding and to pay off certain debts. To the extent that a reorganization provides efficiency, facilitating a reorganization for townships could reduce costs. However, in providing for fire services funding and debt payoff, the bill may allow for continuation of certain costs in the near term.

Explanation of Local Expenditures: (Revised) *Township Assistance*: The reorganized unit would continue to pay township assistance for all residents in the township. Township residents outside of the reorganized territory would have the opportunity to object to the township assistance levy.

Explanation of Local Revenues: (Revised) *Firefighting Fund*: This bill would set the reorganized unit's maximum fire fund levy equal to the township's prior year maximum fire levy, *plus* normal growth at the state's growth quotient, *plus* any amount borrowed in the previous year under an emergency fire loan. The reorganized unit would not be permitted to take out an emergency fire loan.

(Revised) *Cumulative Firefighting Building and Equipment Fund and Fire-Related and Emergency Borrowing Repayment*: The bill will have indeterminate fiscal impact on a reorganized township, but it potentially increases the levy limit for fire-related expense and increases the term of repayment for fire-related or emergency debt. The taxpayers who were originally responsible for funding debt repayments will continue to be the responsible taxpayers after the reorganization.

Background: Under current law, the legislative body of a township may levy a tax with a cumulative fund tax rate not to exceed \$0.0333 on each \$100 of assessed valuation of property in the taxing district. Under this bill, the levy that results from the cumulative fire tax rate in a reorganized unit that includes a township would not be subject to maximum levy limitations.

In the case of a township or fire protection district, the cumulative fire levy is currently not subject to a maximum levy limit. However, if a municipality imposed a cumulative fire levy in 1984, then a part of a municipality's cumulative fire levy, up to the amount of the 1984 levy, is subject to the municipality's maximum levy limit.

In a case where a township and municipality reorganize, a part of what was the municipality's maximum levy limit could be made available for levies in funds other than the cumulative fire fund. However, under the current government reorganization statute, the DLGF must adjust maximum levies to, among other things, eliminate any excess by which the amount of taxes exceeds the amount necessary to pay for goods and services. So, depending on DLGF actions, this provision may not have any overall impact on property tax levies.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Township reorganizations.

Information Sources:

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